

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 OIC-02 AF-10 ARA-10 EA-10
EUR-12 NEA-10 /168 W
-----001059 211952Z/43

P 211813Z APR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8741

INFO AMEMBASSY BRUSSELS

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USMTN, USEEC

ACTION STR PASS ELECTRICALLY

STR PASS CODEL

E.O.11652:N/A

TAGS: MTN, EEC, ETRD

SUBJECT: THE EC REQUEST FOR IMPROVEMENTS IN THE U.S.

INDUSTRIAL TARIFF OFFER -- SHORT ANALYSIS

REFTELS PROVIDE INFORMATION ON EC REQUEST LIST FOR IMPROVEMENTS IN THE U.S. TARIFF OFFER. WE HAVE UNDERTAKEN THE FOLLOWING ANALYSIS WHICH WASHINGTON AGENCIES MAY FIND HELPFUL.

1. OVERVIEW: THE EC'S BASIC REQUEST IS THAT THE U.S. OFFER REDUCTIONS ACCORDING TO THE SWISS FORMULA (AT 14) "ON ITEMS SUBJECT TO TOTAL OR PARTIAL EXCEPTIONS." PARTIAL EXCEPTIONS BY THIS DEFINITION PRESUMABLY INCLUDE

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NOT ONLY LESS THAN FORMULA REDUCTIONS, BUT REDUCTIONS AT THE MAXIMUM OF 60 PERCENT IF THE APPLICATION OF THE SWISS FORMULA WOULD HAVE ACHIEVED DEEPER CUTS. SIGNIFICANTLY, HOWEVER, THESE LATTER, WHICH MIGHT BE TERMED "TECHNICAL EXCEPTIONS," ARE NOT LISTED AS ITEMS OF PARTICULAR INTEREST.

THE EC'S LIST OF ITEMS OF PARTICULAR INTEREST COVERED NEARLY 120 TSUS OR TSUSA ITEMS (THE NUMBER INCREASES TO NEARLY 200 WHEN THOSE ITEMS COVERING CLOCKS AND WATCHES ARE COUNTED SEPARATELY). ALL OF THEM ARE MANDATORY OR ECONOMIC (FULL OR PARTIAL) EXCEPTIONS. BASED ON 1976 IMPORTS, THE REQUEST LIST COVERS \$4.5 BILLION IN U.S. IMPORTS, OF WHICH THE EC SUPPLIED NEARLY \$1 BILLION, OR 22 PERCENT.

OF THE 200 REQUESTED ITEMS, THE EC WAS AMONG THE "TOP 3" SUPPLIERS IN ABOUT 147 INSTANCES, OR 75 PERCENT OF THE TOTAL. THE EC WAS "FIRST SUPPLIER" IN 71 INSTANCES (36 PERCENT), AND IT SUPPLIED 50 PERCENT OR MORE OF U.S. IMPORTS IN THE REQUESTED ITEMS IN 42 INSTANCES (21 PERCENT). ITS POOREST PERFORMANCE IN TERMS OF TRADE INTEREST WAS IN THE NUMEROUS LINES COVERING WATCH MOVEMENTS, WHERE EVEN IN THE FEW INSTANCES WHERE IT WAS A TOP 3 SUPPLIER, ITS MARKET SHARE OF U.S. IMPORTS WAS MINIMAL.

IN THOSE INSTANCES WHERE A MEMBER STATE HAD AN IDENTIFIABLE TRADE INTEREST (I.E., A MEMBER STATE SHARE OF U.S. IMPORTS IN THE ITEMS CONCERNED OF 5 PERCENT OR MORE), THE ODDS WERE ABOUT 1 IN 3 THAT THE REQUEST WOULD BE OF PRIMARY BENEFIT TO ITALY. IN ABOUT 1 IN 4 REQUESTS, THE PRIMARY BENEFICIARY WOULD BE WEST GERMANY. EITHER UK OR FRANCE WOULD BE THE PRIMARY BENEFICIARY IN ABOUT 1 OF LIMITED OFFICIAL USE

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6 REQUESTS.

2. MANDATORY EXCEPTIONS: ALTHOUGH THE EC HAS SOUGHT DEBATING POINTS BY REFERRING TO U.S. MANDATORY EXCEPTIONS (INCLUDING PETROLEUM EXCLUSIONS) IN PAST BILATERALS, THE ONLY MANDATORY EXCEPTIONS INCLUDED AS ITEMS OF SPECIAL INTEREST ARE SEVERAL LINE ITEMS COVERING NONRUBBER FOOTWEAR. THE EC DID NOT REQUEST EVERY FOOTWEAR MANDATORY EXCEPTION, BUT THEY DID REQUEST, FOR EXAMPLE, AT LEAST ONE ITEM IN WHICH THEY HAD NO 1976 TRADE (700.25) AS WELL AS THEIR MAJOR TRADE ITEMS (700.35--\$116 MILLION AND 700.45--\$189 MILLION). THE EC IS WELL AWARE, OF COURSE, THAT THE U.S. CAN MAKE NO OFFERS ON THESE ITEMS AS LONG AS IMPORT RELIEF REMAINS IN EFFECT. PERHAPS THEY ARE LAYING THE GROUNDWORK FOR THEIR OWN FOOTWEAR WITHDRAWALS/EXCEPTIONS.

3. ECONOMIC EXCEPTIONS (FULL): THE EC REQUESTED FORMULA REDUCTIONS ON A NUMBER OF ITEMS WHICH WERE FULL ECONOMIC EXCEPTIONS IN THE INITIAL U.S. OFFER. GIVEN OUR MAXIMALIST APPROACH, THESE ITEMS CAN ONLY BE CONSIDERED AMONG THE MOST IMPORT SENSITIVE, AND FOR WHICH A STRONG ECONOMIC

JUSTIFICATION CAN BE DEVISED IN NEARLY EVERY INSTANCE. THE EC IS RARELY THE PRINCIPAL SUPPLIER (EXCEPT FOR THE SCHEDULE 5 ITEMS), AND IN TEXTILES, THE MAIN BENEFICIARY IS LIKELY TO BE KOREA, HONG KONG, OR TAIWAN.

4. ECONOMIC EXCEPTIONS (PARTIAL): THE EC REQUESTS HERE ARE AIMED AT IMPORT SENSITIVE "ECONOMIC EXCEPTIONS" (CODED L) RATHER THAN WHAT WOULD HAVE BEEN CONSIDERED "TECHNICAL EXCEPTIONS" BY VIRTUE OF THE 60 PERCENT LIMITATION ON U.S. NEGOTIATING AUTHORITY. WE MAY BE ABLE TO RESPOND TO SOME OF THESE BECAUSE OBVIOUSLY THEIR IMPORT SENSITIVITY IS LESS THAN IN THE ABOVE CATEGORY. YET THE FACT REMAINS THAT MOST OF THESE REQUESTS WOULD BE DIFFICULT TO MEET AND, IN NUMEROUS INSTANCES, THE U.S. COULD LIMITED OFFICIAL USE

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EUR-12 NEA-10 /168 W
-----001064 211952Z /43

P 211813Z APR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8742

INFO AMEMBASSY BRUSSELS

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USMTN, USEEC
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NOT MEET THE REQUESTED RATE BECAUSE OF THE 60 PERCENT

LIMIT. IT IS CURIOUS THAT IN REQUESTING FULL SWISS FORMULA APPLICATION TO THESE ECONOMICALLY SENSITIVE ITEMS THE EC HAD NO QUALMS ABOUT ASKING FOR DEEPER THAN 60 PERCENT REDUCTIONS -- KNOWING FULL WELL THAT THE UNITED STATES COULD NOT MEET THE REQUESTED RATE -- YET THE EC DID NOT SPECIFY LESS SENSITIVE ITEMS (CODED F) WHERE THE U.S. MADE A MAXIMUM 60 PERCENT REDUCTION (BUT NOT THE REDUCTION CALLED FOR BY THE SWISS FORMULA.

5. U.S. MTN DELEGATION HAD ONE SESSION WITH THE EC (COMMISSION AND MEMBER STATES) ON APRIL 20 ON ITS REQUEST LIST AND EXPECT TO COMPLETE AN INITIAL REVIEW OF ITS LIST WITH THE EC ON APRIL 25. OUR RECOMMENDATIONS WILL FOLLOW SHORTLY AFTER THAT DATE.

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6. DRAFTED BY MALISH. MCDONALD

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, TARIFFS, EXCEPTIONS LIST
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA06106
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780171-0641
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
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Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 5522, 78 GENEVA 5673
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Review Date: 05 may 2005
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Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2895628
Secure: OPEN
Status: NATIVE
Subject: THE EC REQUEST FOR IMPROVEMENTS IN THE U.S. INDUSTRIAL TARIFF OFFER -- SHORT ANALYSIS
TAGS: ETRD, US, MTN, EEC
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8621efa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014